

In Search of Silver Buckshot: 30 Years of Economic Development in Maine

Presentation to:

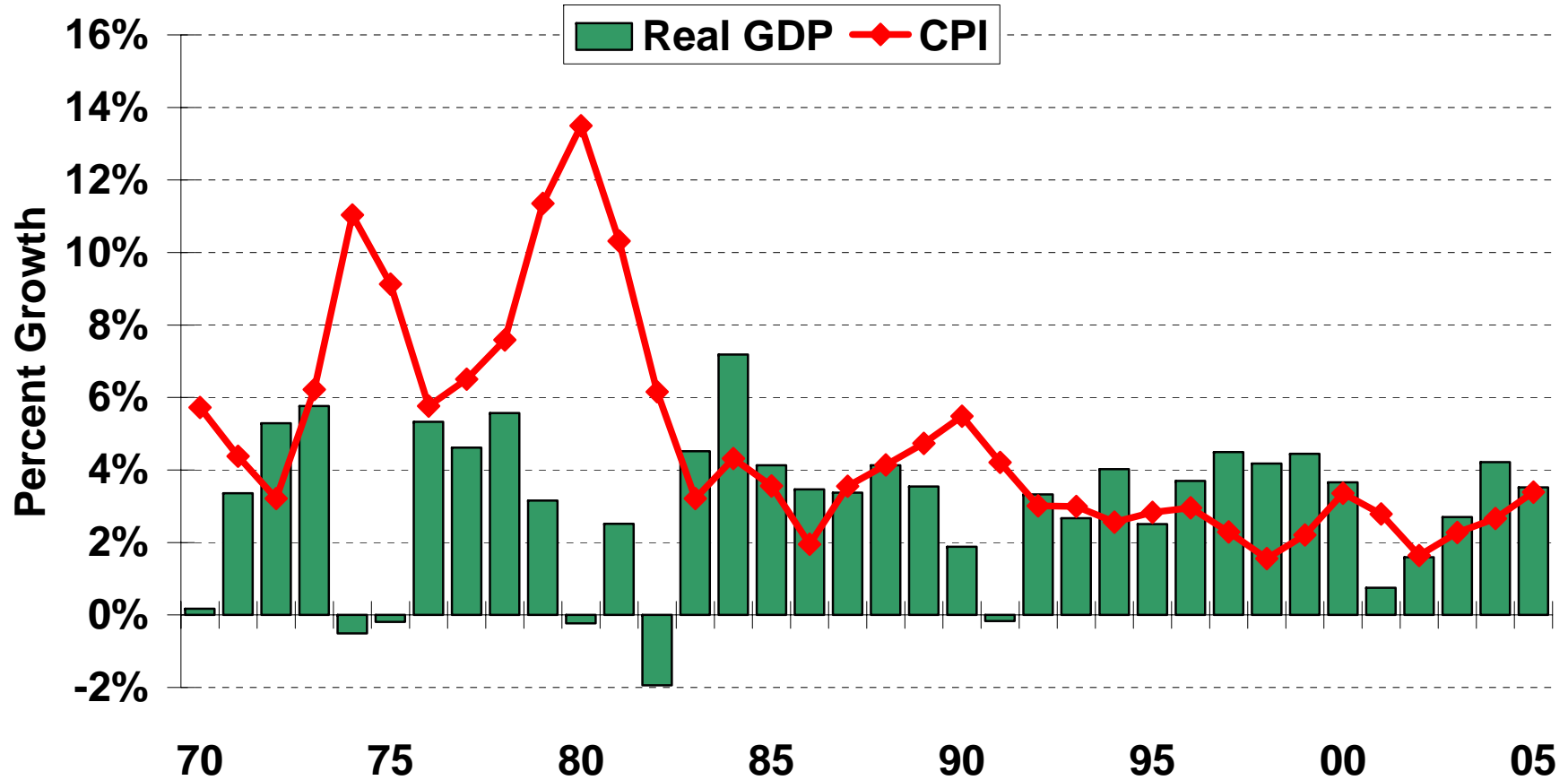
**Joint Select Committee on
Research, Economic Development and
the Innovation Economy**

November 1, 2006

Prepared for the Brookings Institution by Laurie Lachance
President, MDF

The Economic Backdrop

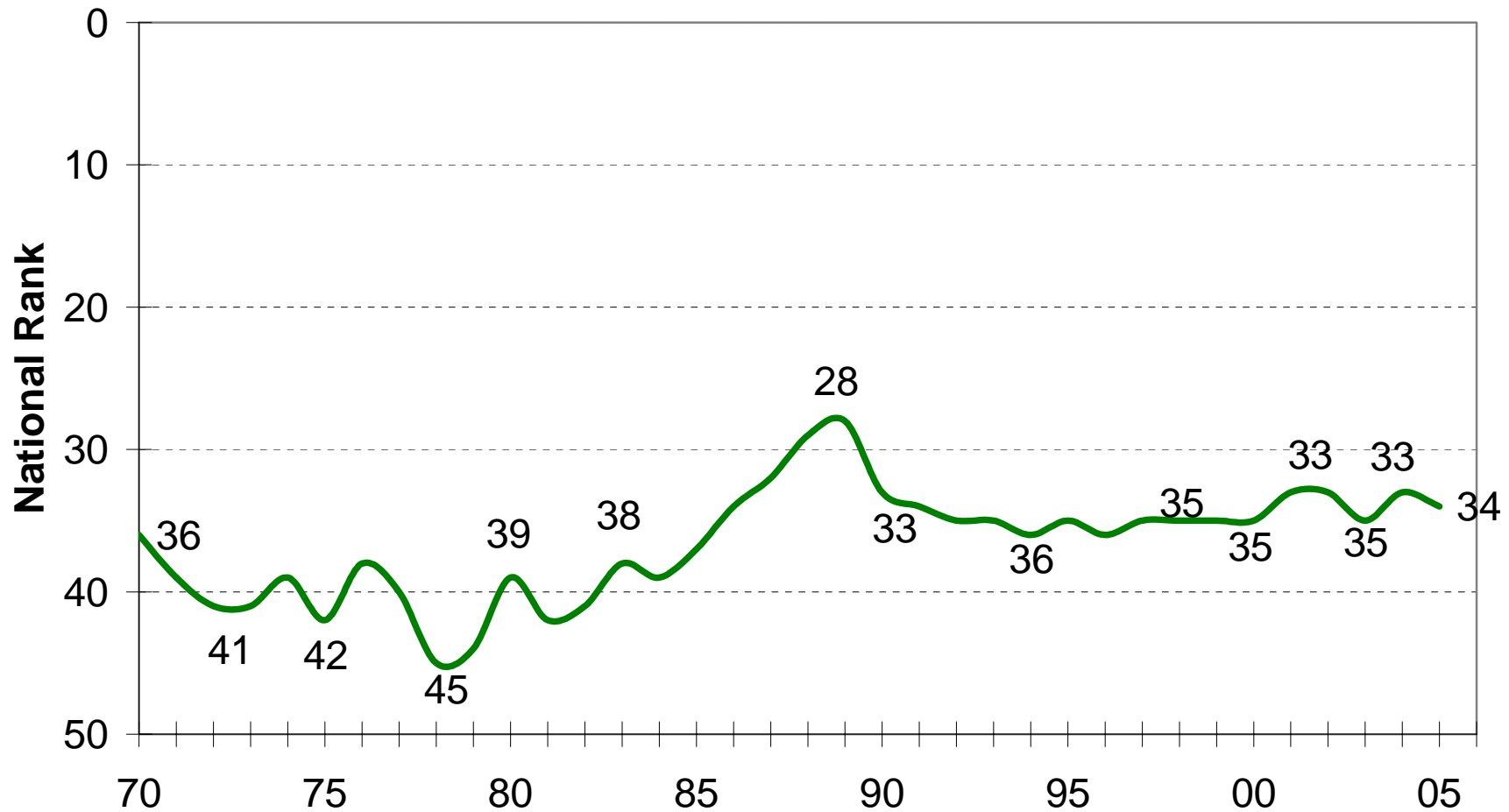
Real Gross Domestic Product and Consumer Price Index



Source: GDP data from <http://www.bea.gov/bea/dn/gdplev.xls>
CPI data from <http://data.bls.gov/PDQ/outside.jsp?survey=cu>

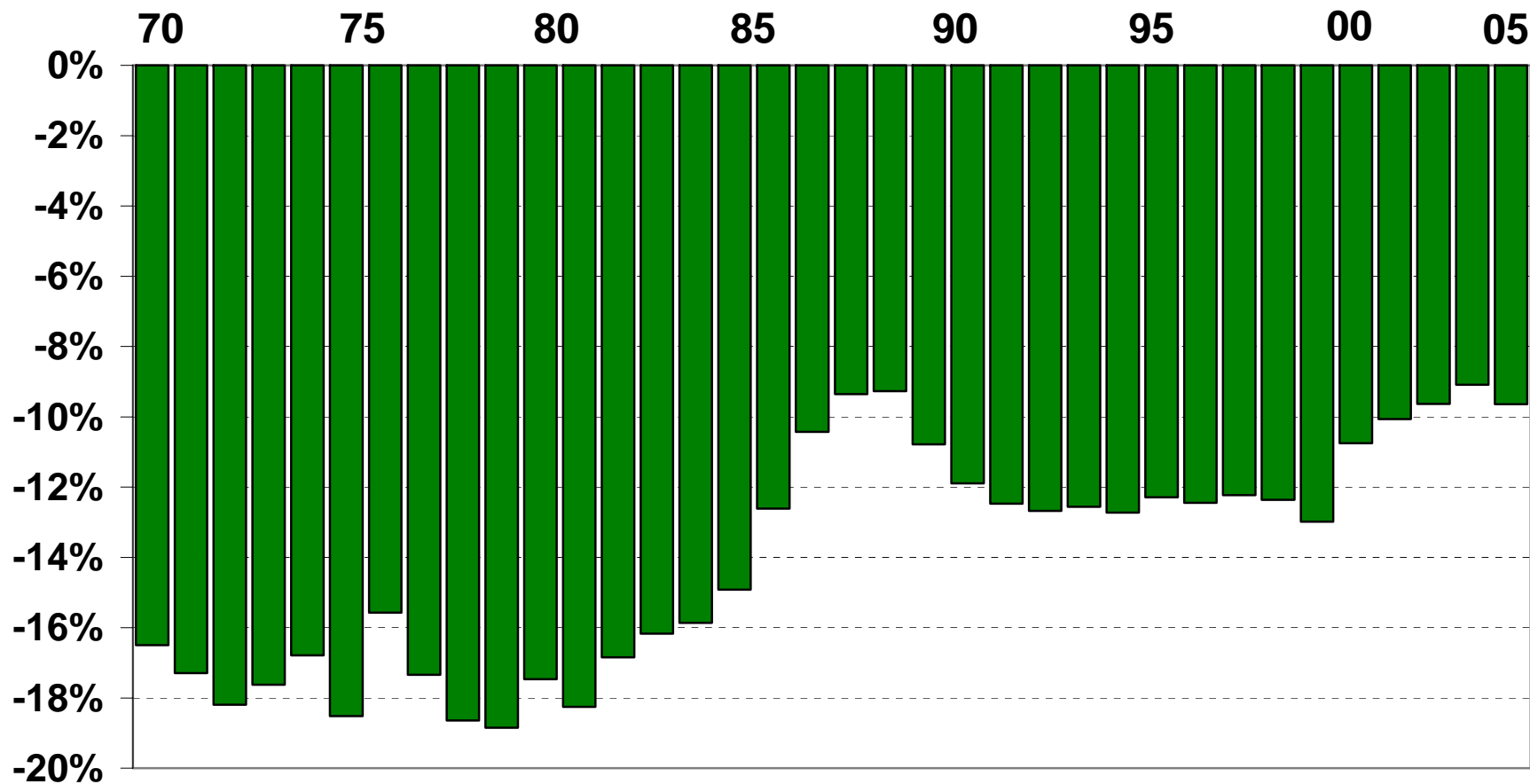
Maine's Relative Economic Standing: Reaching a New Plateau?

National Rank on Per Capita Income 1970-2005



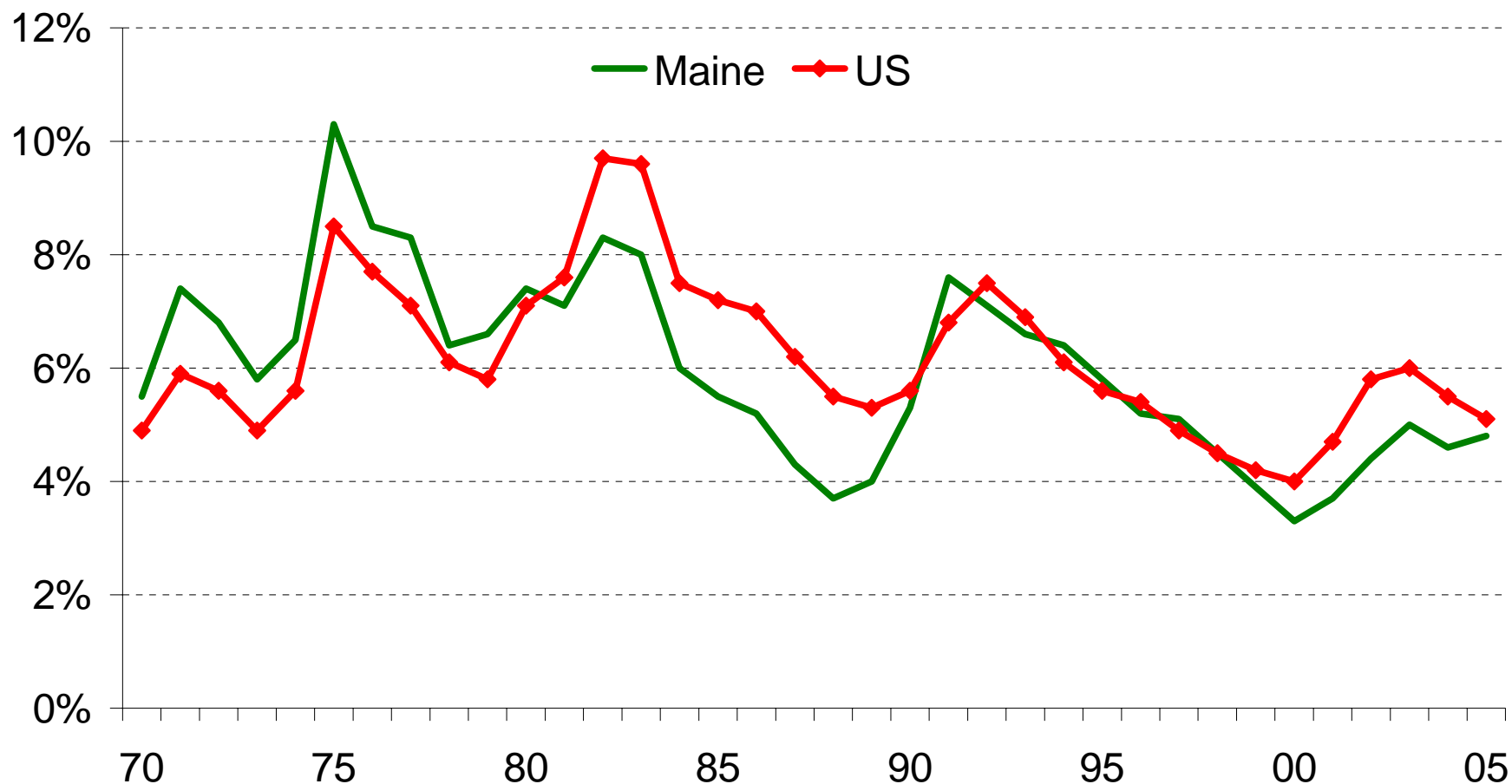
Source: www.bea.gov

Per Capita Personal Income Gap 1970- 2005 (% Points ME Income Lags US)



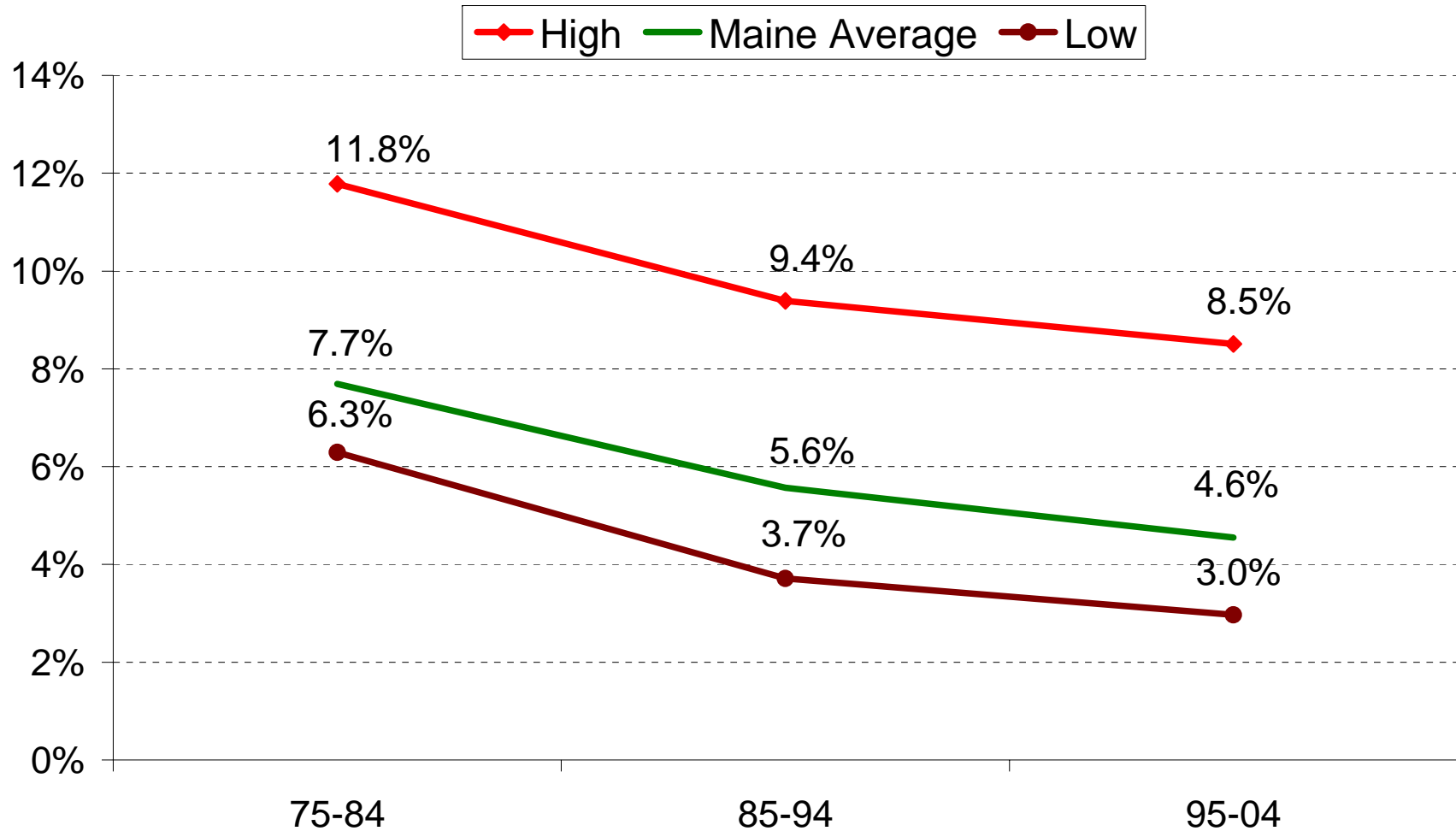
Source: <http://www.bea.gov/bea/regional/spi/drill.cfm>

Unemployment Rates for Maine and US 1970 - 2005



Source: <http://www.maine.gov/labor/lmis/laus.html>

Maine Unemployment Rate 10-year Averages



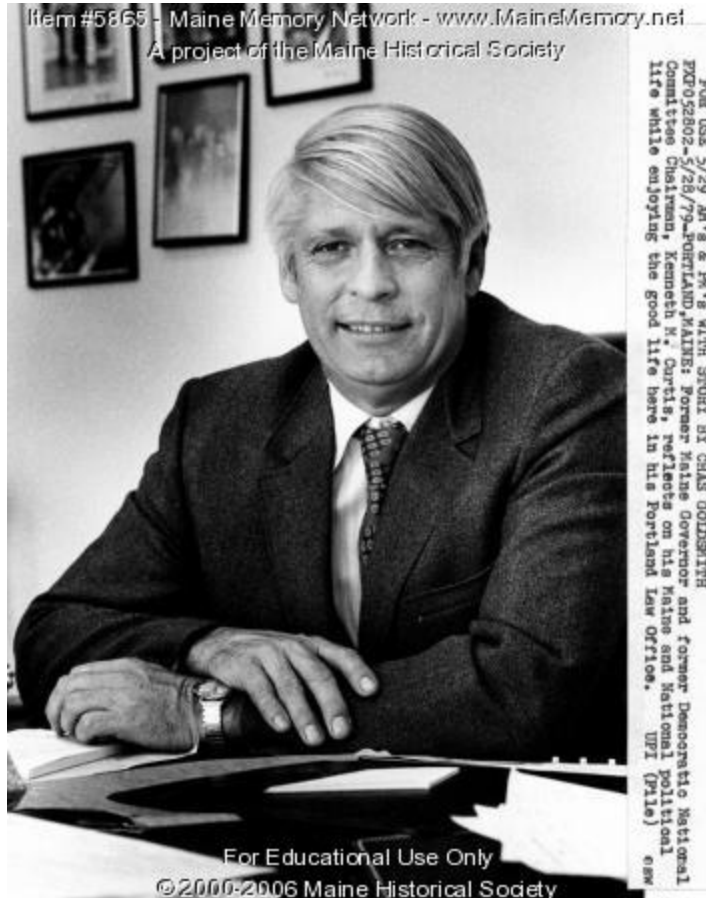
Source: <http://www.maine.gov/labor/lmis/laus.html>

Economic Development Record:

Visionary Leaders, Bold Ideas

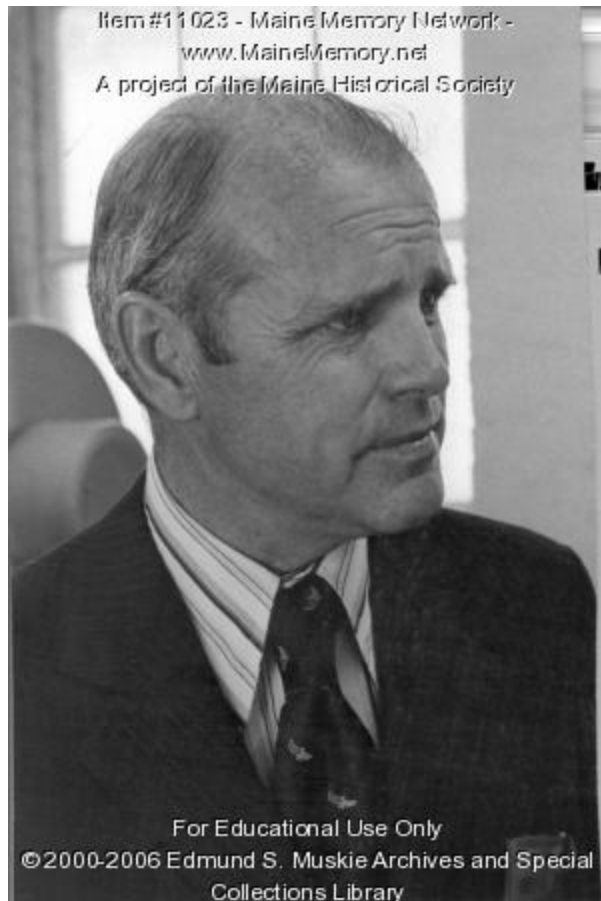
Kenneth M. Curtis

(1967-1974)



- Introduction of the Personal Income Tax
- Restructuring/modernization of State Government
- Restructuring/modernization of Legislature
- Created the State Planning Office
- Created the Maine State Housing Authority
- Created the University System

James B. Longley (1975-1978)



- Created the Maine Development Foundation
- Implemented the recommendations of the Maine Management and Cost Survey
- Developed a special tax credit for job creation
- Settled the Indian Land Claims
- Introduced anti-billboard legislation and the bottle bill

Joseph E. Brennan

(1979-1986)



- Created the Finance Authority of Maine
- Created the Municipal Bond Bank
- Created the Office of Energy Resources
- Used State bonding authority to stimulate private infrastructure investment
- Implemented 3-port strategy
- Landmark investment in upgrading the University System
- Elevated the status and governance of the Vocational Technical Institutes (VTIs)

John R. McKernan, Jr.

(1987-1994)



- Created the Department of Economic and Community Development
- Created of the Maine Economic Growth Council
- VTIs re-named Technical Colleges
- Implemented Tax Reform
- Workers' Compensation Insurance Reform
- Maine Enterprise Option Program
- Created the Land for Maine's Future Program
- Expanded Bottle Bill
- Passed the Waste Management Act

Angus S. King, Jr.

(1995-2002)



- Maine School and Library Network
- Maine Learning Technology Initiative
- Maine Technology Institute (MTI)
- Maine Downtown Center
- Business Equipment Tax Reimbursement (BETR)
- Employment Tax Increment Financing (ETIF)
- Restructured and upgraded international trade infrastructure
- Restructured the Electric Utility Industry
- Build-out of 2 natural gas pipelines
- Smart Growth: The Competitive Advantage
- Infrastructure investments

John E. Baldacci **(2003 – Present)**



- Developed the Community College System and AdvantageU
- Dirigo Health
- Pine Tree Zones Initiative
- Governor's Office of Innovation
- Tax and Spending Reform: LD 1
- Phase Out of the Personal Property Tax on Business Equipment

Economic Development Record:

**Bold Ideas,
Smart Investments**

Bold Ideas, Smart Investments

- **Development of the Maine Community College System**
- **Tax Reform**
- **Economic Development Infrastructure and Tools**
- **Research and Development Capacity**
- **Technology Build-out in the Classroom**
- **Workers Compensation Reform**
- **Progressive Environmental Laws**

Where We've Fallen Short:

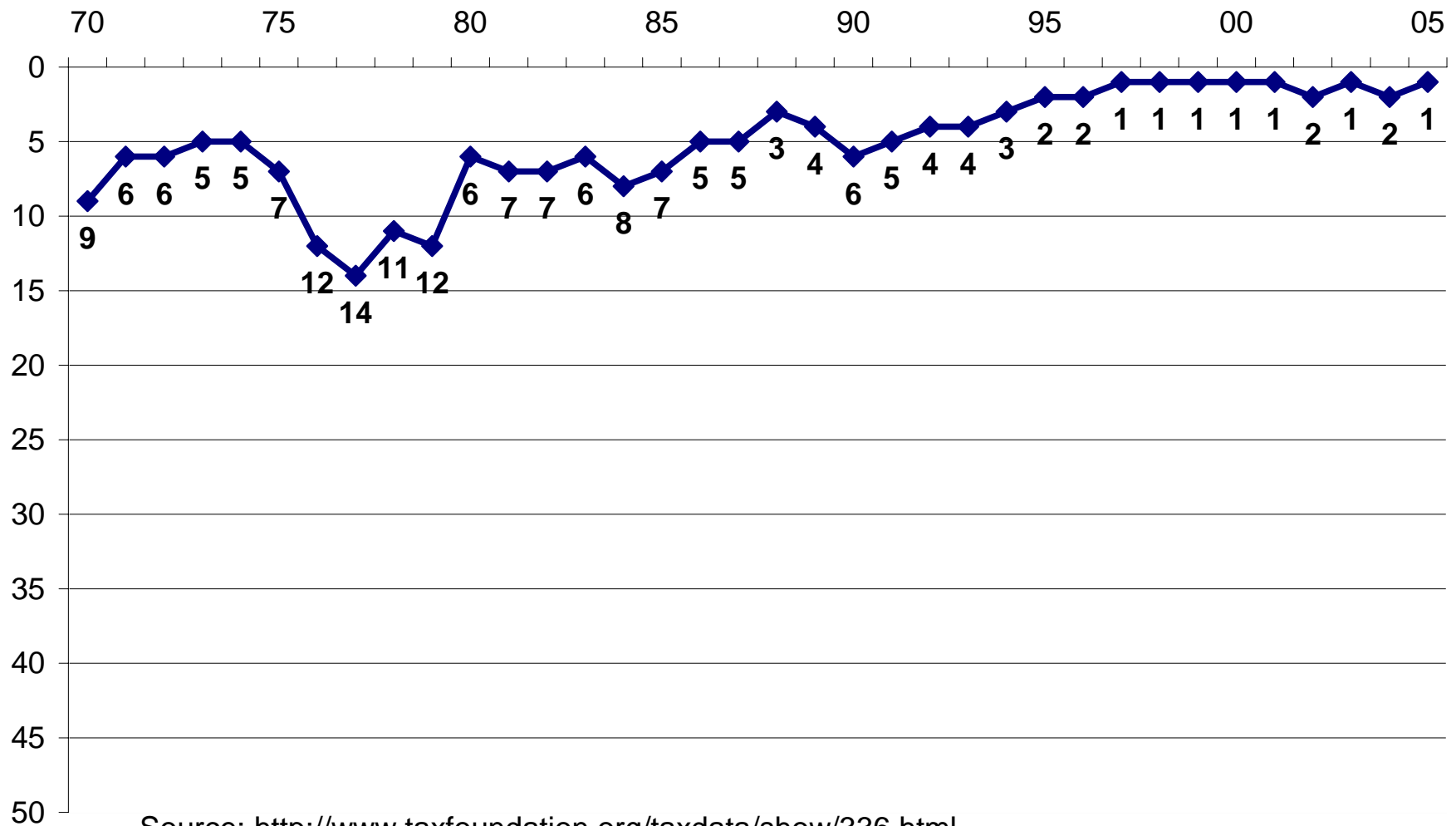
In Execution and Follow-Through

1. Failed to Articulate a Long Term Vision

2. Costs of Doing Business have Risen

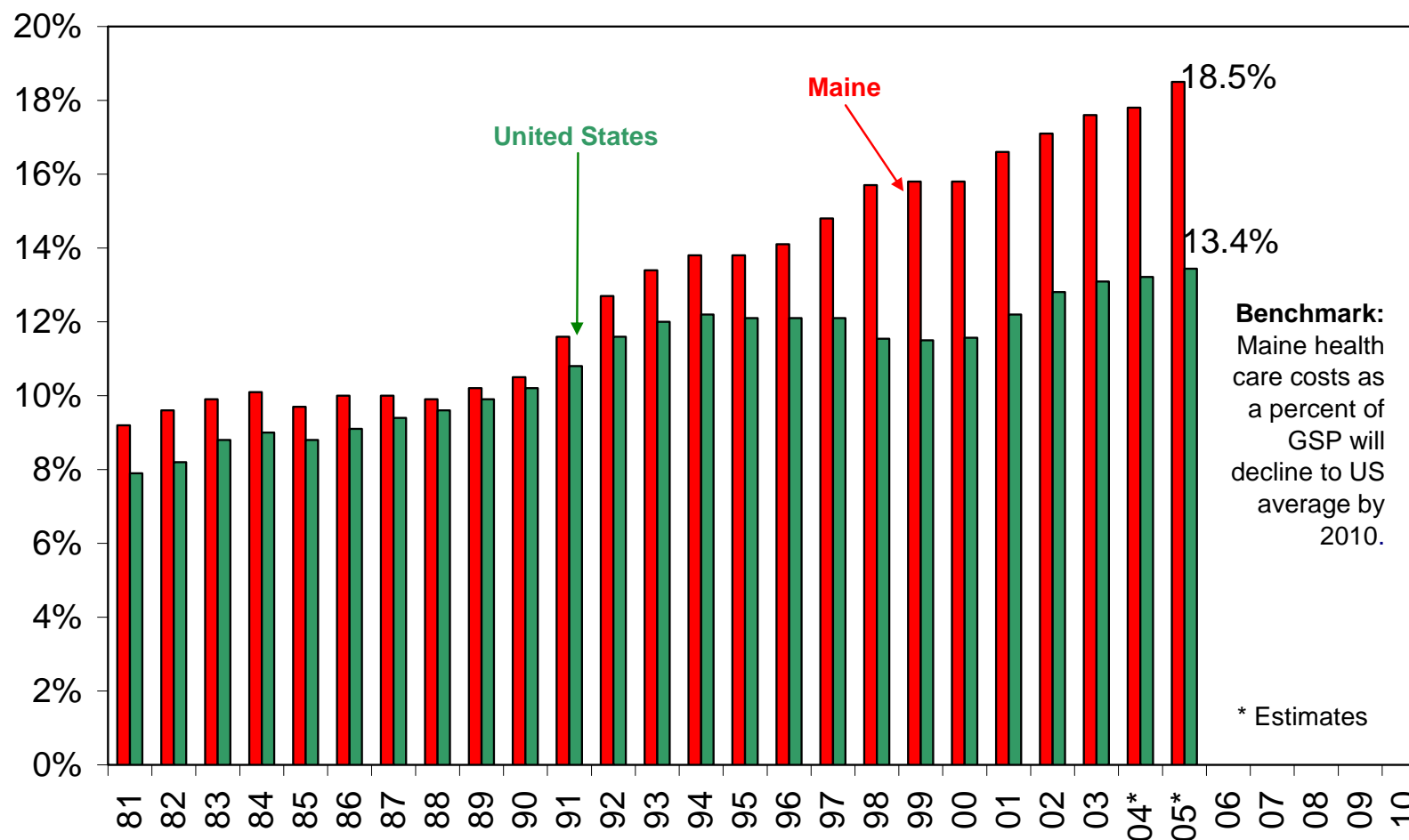
- **State and Local Tax Burden**
- **Health Care**

Maine Rank in S&L Taxes as % of Personal Income



Source: <http://www.taxfoundation.org/taxdata/show/336.html>

Health Care Costs as a Percent of GSP, Maine and U.S. 1981-2005

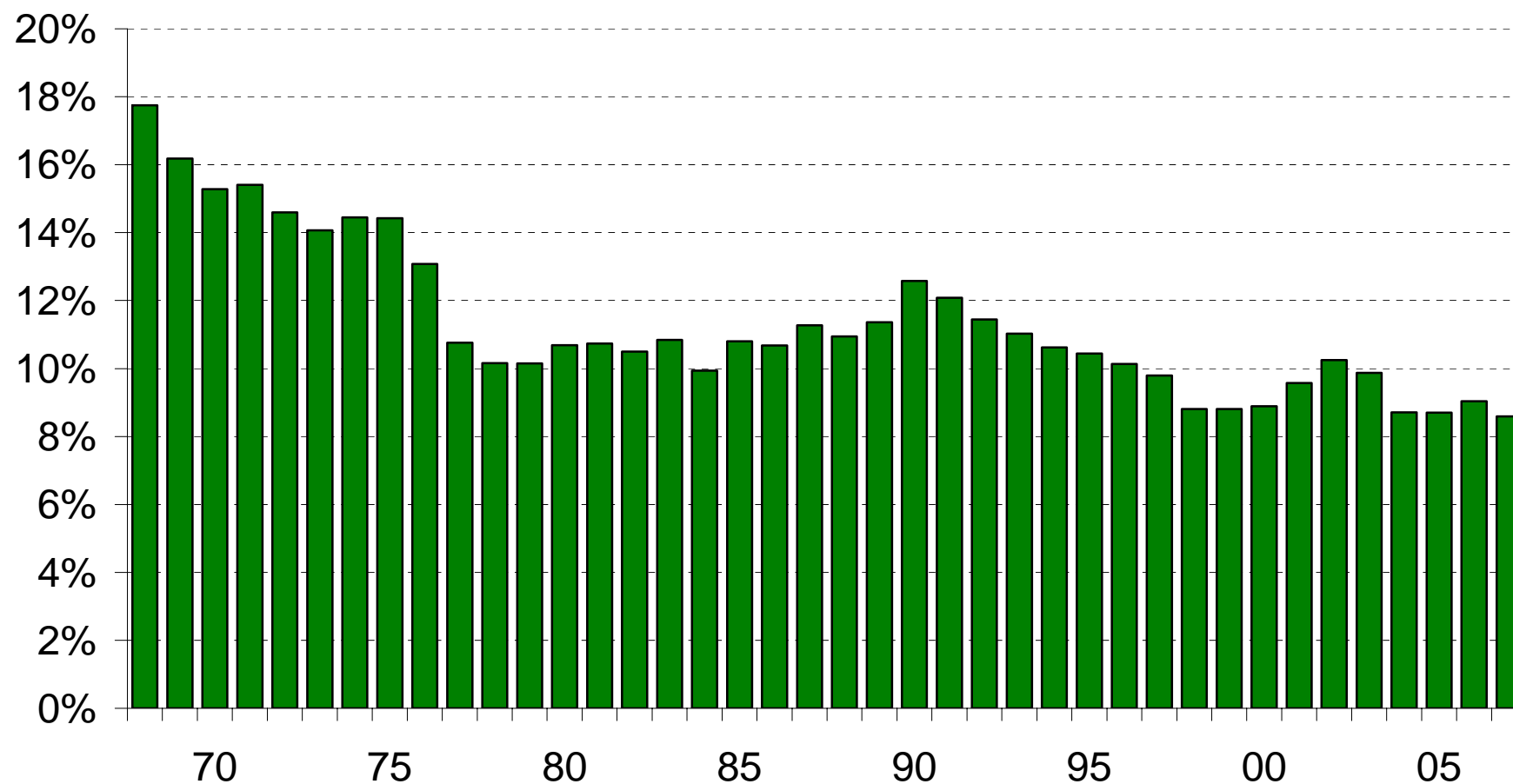


1998 - 2005 numbers are from the Governor's Office of Health Policy and Finance. 1981-1997 are from the Centers of Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group

3. Consistently Under-funded Economic Development Initiatives:

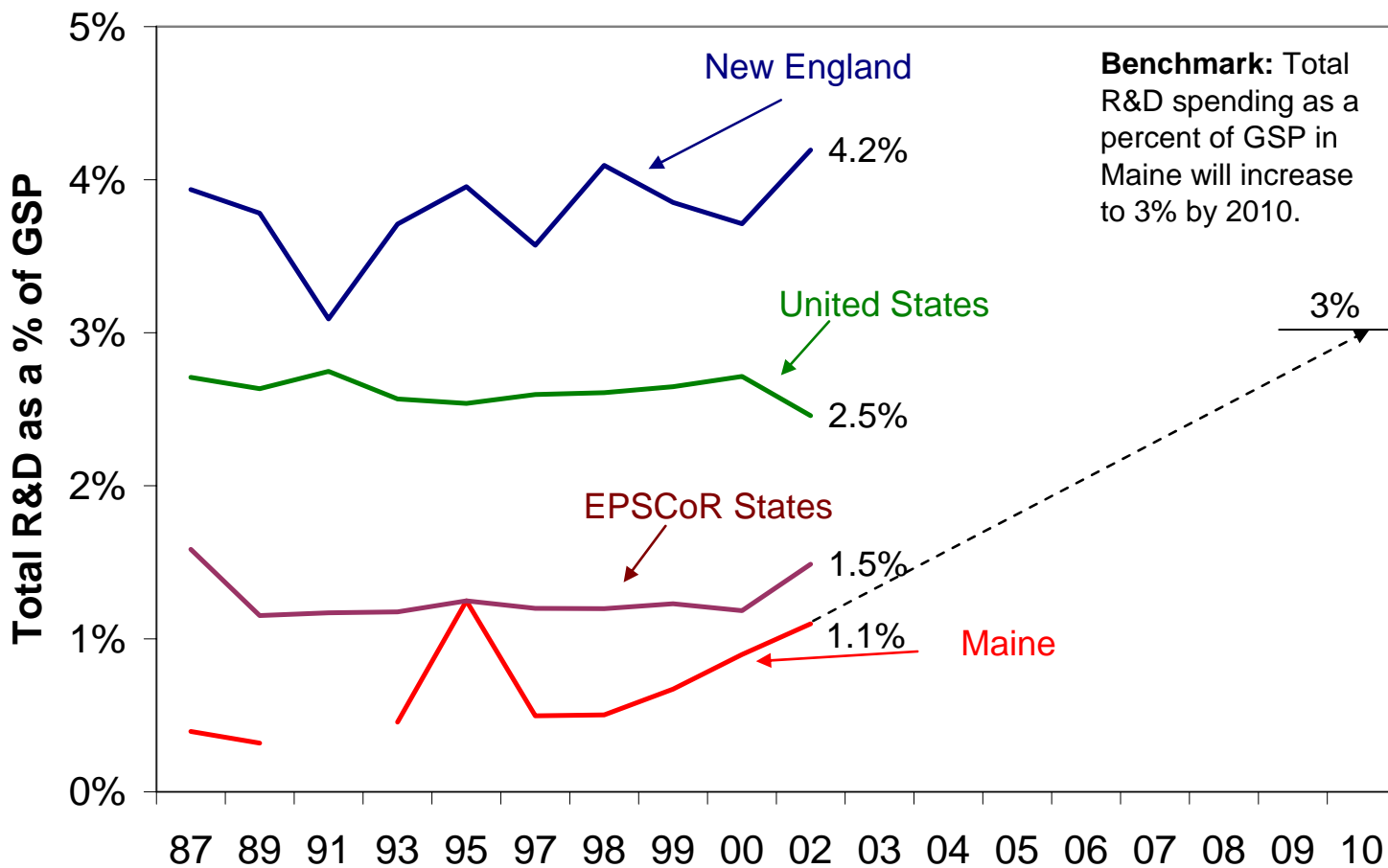
- **Higher Education**
- **Research & Development**

Higher Education Appropriations as % State General Fund



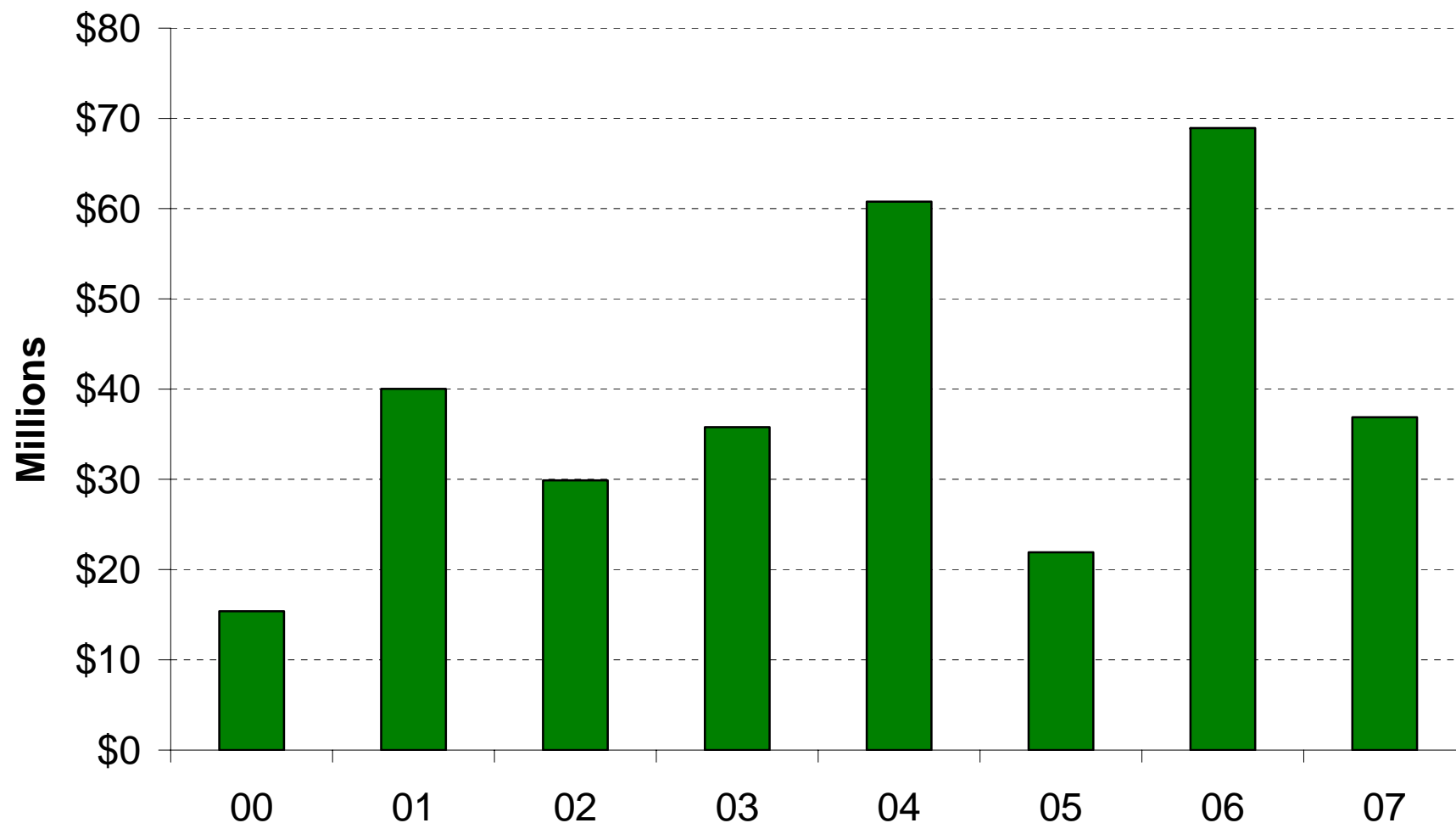
Source: <http://www.maine.gov/legis/ofpr/05compendium/c05gf2.htm>

Total R&D Spending as a Percent of Gross State Product 1987-2002



Source: PolicyOne Research, 2005 (Please note there is no Maine data available for 1991)

Total R&D Appropriations and Bonds



Source: PolicyOne Research, 2005

3. Consistently Under-funded Economic Development Initiatives (cont'd):

- **Economic Development Infrastructure**
 - Department of Economic and Community Development
 - Maine Development Foundation
 - Maine Economic Growth Council
 - Office of Innovation
 - Business Attraction – Maine and Company
 - International Trade – Maine International Trade Center
 - Downtown Revitalization – Maine Downtown Center

3. Consistently Under-funded Economic Development Initiatives (cont'd):

- **Transportation Infrastructure**
- **Regionalization**
- **Pine Tree Zones**
- **Major Economic Development Initiatives**
 - REALIZE!Maine
 - Creative Economy
 - Natural Resource-Based Economy

4. Spread Limited Economic Development Resources Too Thin

- **Applied Technology Development Centers**
- **Economic Development Infrastructure**
 - 5 Federal Agencies
 - 5 State Agencies
 - 10 Statewide Entities
 - 11 Regional ED Organizations
 - 43 Municipalities
 - 66 Local Chambers

5. Under-capitalized Economic Development Financing Infrastructure

- **Maine Technology Institute**
- **Maine Economic Improvement Fund**
- **Small Enterprise Growth Fund**
- **Marine Research Fund**
- **Finance Authority of Maine**
- **Maine Rural Development Authority**

6. Analysis Paralysis

- | | |
|-------------------------------|--------------------|
| • Tax Reform | 51 studies |
| • Business Climate | 8+ studies |
| • Regional Disparities | 12+ studies |
| • East-West Highway | 6+ studies |

Conclusions

- Evolved to new plateau but not where we want to be
- Disparities and churning causing discontent and pessimism
- Bold, visionary leaders
- Proven record of innovative policies and development strategies

Conclusions

- Failure to develop a long-term, broad economic development framework with consistent, sustained strategies has limited our success
- Same deeply held values that make us wonderful and unique – have muted investment and growth
 - Independence & Self-reliance
 - Equity & Fairness
 - Frugality
 - Naturally Humble Approach and Tendency to Understate Success and Worth